

Here's an example term sheet for a founder to review:

TERM SHEET

For the Investment in McKenzie Shanahan

Date: December 22, 2024

This Term Sheet outlines the proposed terms and conditions for an investment into McKenzie Shanahan (the "Company"), subject to further negotiation and formal agreement.

1. Investment Amount

Investor: [Investor Name]

Investment Amount: \$[Insert Amount]

Type of Investment: Equity (Preferred Shares)

2. Ownership and Capitalization

Post-Investment Capitalization:

- Founder: [Founder Name]
- Investor(s): [Investor Name(s)]
- Employee Pool: [Percentage]%

Total Shares: [Total Shares Issued]

3. Valuation

Pre-Money Valuation: \$[Insert Pre-Money Valuation]

Post-Money Valuation: \$[Insert Post-Money Valuation]

4. Equity Class

- Class of Shares: Preferred Shares
 - Dividends: [Percentage]% annual dividend
 - Liquidation Preference: [Multiple, e.g., 1x, 2x] liquidation preference over common shareholders
 - Conversion: Convertible into common stock at the investor's discretion, subject to a [1x] conversion ratio
 - Voting Rights: [Specify voting rights, e.g., equal to common stock with special rights]
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5. Use of Funds

The investment will be used primarily for:

- Operational Costs
 - Growth and Expansion
 - Marketing and Sales Initiatives
 - Strategic Investments in Real Estate or Buyout Opportunities
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6. Board Representation

The Investor will be entitled to appoint [one] member to the Board of Directors. The Founder retains control of the Board, with the remaining members consisting of the Company's executives and independent members.

7. Founder's Lock-up Period

The Founder's shares will be subject to a lock-up period of [10] years. During this period, Founder shares cannot be sold or transferred except under certain circumstances (e.g., IPO or M&A).

8. Exit Strategy

- Expected Exit Event: IPO or strategic sale of the Company within [X] years
 - Minimum Return on Investment: The Investor expects a minimum [XX]% internal rate of return (IRR) on the investment at the time of exit
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9. Conditions Precedent

The following conditions must be satisfied before the closing of the investment:

- Completion of due diligence by the Investor
 - Execution of a final investment agreement
 - Regulatory approvals, including ASIC and FIRB (if applicable)
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10. Confidentiality

Both parties agree to maintain confidentiality regarding the terms of this Term Sheet and any discussions related to the investment.

11. Governing Law

This Term Sheet shall be governed by the laws of [Jurisdiction], without regard to its conflicts of law principles.

12. Expiration

This Term Sheet shall expire on [insert date], unless both parties agree in writing to extend the term.

Acknowledgement

By signing below, both parties acknowledge their intent to proceed with negotiations based on the terms outlined in this Term Sheet.

Investor:

Signature: _____

Name: [Investor Name]

Date: _____

Founder:

Signature: _____

Name: [Founder Name]

Date: _____

This is just an example and can be tailored further to specific needs and negotiations.